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## Hawaii Skirts Tourism Drop-Off Elsewhere in U.S.

By JIM CARLTON  
May 13, 2008; Page A4

HONOLULU -- Hawaii so far is largely escaping a tourism slowdown that has hit many other U.S. vacation spots, thanks in part to the state's efforts in recent years to diversify its visitor base.

The number of visitors to the islands rose to about 1.9 million in the year's first quarter, up 2.8% from the year-earlier period, according to the latest figures from Hawaii state officials. Hotel occupancies rose 1.5% in the period, compared with a 4.6% drop nationwide, estimates Smith Travel Research, an industry-tracking firm.

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International tourism to the U.S. is up, and visitor numbers are holding up well in places popular among those tourists, such as New York, San Francisco, Miami or **Walt Disney Co.**'s theme parks. Regional statistics show slowdowns particularly in destinations popular with domestic tourists. Hotel occupancy in Orange County, Calif. -- home of several other attractions as well as Disneyland --

was down 3.2% the first three months of this year, while Phoenix occupancy dropped 8.6% and the Tampa-St. Petersburg, Fla., market fell by 5.6%, according to Smith Travel. Las Vegas posted a 0.6% drop in visitors in January before rebounding some in February, according to the Las Vegas Convention & Visitors Authority.

The increase in Hawaii came despite drop-offs in visitors from two of its biggest markets: a 1.4% decline in tourists from the eastern U.S. and a 5.7% slide from Japan. Both places have been hit by rising fuel prices and other economic factors.

Tourism from other parts of the world to Hawaii has more than offset the declines, thanks both to expanded marketing and a weak dollar that has made Hawaii a bargain for many foreign travelers, from Europe to Canada. There were 8.1% more Canadians, for example, than in the same three-month period a year ago.

"Our economy is doing just fine; that's not a factor for me at all," said Celia Hudson, a 59-year-old retiree from Vancouver, British Columbia, at the Honolulu International Airport.

Hawaii's good fortunes now contrast with those in the early 1990s, when the number of visitors -- whose spending drives the state's economy -- plunged 13% following Japan's economic meltdown. Japanese accounted for a third of the state's visitors at the time; most of the rest were U.S. mainlanders.

To avoid a repeat, Hawaii pushed to diversify its tourism base. The state began

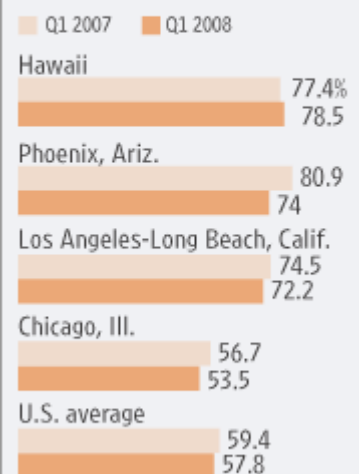
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### Dodging a Downturn

Hotel occupancy rates have risen in Hawaii, while falling in many other U.S. destinations



Source: Smith Travel Research

marketing where it hadn't much before -- Germany and the United Kingdom, for example. Airlines started adding flights to new destinations, such as Manila, the Philippines, and Sydney, Australia.



Blake McElheny

Horseback riding on the North Shore of Oahu.

Hawaii officials lobbied for an agreement, signed between the Department of Homeland Security and South Korea in April, that will allow South Koreans to travel visa-free to the U.S. "When you are an island, you do not want to be overly dependent on one tourism market," said Hawaii Gov. Linda Lingle.

Meanwhile, the Oahu business community has been sprucing up Waikiki Beach, a fabled tourism center that had been showing its age. **Starwood Hotels & Resorts Worldwide Inc.** is spending \$750 million to renovate three Waikiki hotels.

Tourism numbers are holding up despite some recent hits. Miami-based NCL Corp. said this year it would pull two cruise ships from Hawaii. In March and April, Aloha Airlines Inc. and ATA Airlines Inc. filed for Chapter 11 bankruptcy protection, canceling service and cutting about 15% of airline seats in Hawaii.

But other airlines have moved in. **Hawaiian Holdings Inc.**'s Hawaiian Airlines recently added new service to Honolulu from Oakland, Calif. Ms. Lingle said officials of United Airlines have told her that it won't be cutting seats to Hawaii as part of its plans to cut 9% of seats across its system by the end of this year from what it had at the end of 2007.

A spokeswoman for Chicago-based United, a unit of **UAL Corp.**, confirmed the governor's account and added that the airline also plans to increase service to Hawaii this summer.

Hawaii's economy isn't immune to U.S. economic troubles. Bankruptcies in Hawaii have jumped 20% in the first four months of 2008 from the same time last year, according to the U.S. Bankruptcy Court here. A jump in airfares could cut further into tourism from the U.S. mainland. Revised economic forecasts by the Bank of Hawaii and University of Hawaii call for a nearly 4% drop in visitors this year from 2007's near-record total of 7.5 million visitors -- more than double earlier forecasts.



Jim Carlton

the North Shore of Oahu, Turtle Bay Resort in background

But such a drop, if it materializes, would leave Hawaii's visitor count above seven million, which was a high-water mark during its last heyday, in the late 1980s.

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